

CAPITAL LIFE INSURANCE CO. IN DIFFICULTY

**Rumors of Criminal Proceedings
Follow Meeting to Hear
Report of Insurance Com-
missioner Nesbit.**

An over-abundance of reports, with a corresponding scarcity of money returns, see into the outlook for stockholders in the National Capital Life Insurance Company when the meeting of those anxious gentlemen adjourned last evening after a long session in the board room at the District Building.

For some weeks the affairs of this company, which appear to have been somewhat obscured during the regime of four presidents in less than nine months, have been under investigation by Insurance Commissioner Nesbit and yesterday's meeting was called that the stockholders or the subscribers to stock might learn just what the commissioner thought of the company and the methods under which it had attempted to do business.

Mr. Nesbit's report already rendered to the District Commissioners, and a copy, it is understood, furnished to the office of the District Attorney, detailed a plan of high financing which, considered up-to-date in Wall Street and other centers of promotion, is not often encountered in the handling of companies organized in the Capital.

Commissioner's Report.

In substance the insurance commissioner's report was as follows:

"This company filed its articles of incorporation November 7, 1914. They provided for \$25,000 capital stock, par value of each share, \$10; to be increased from time to time to a capital stock of not more than \$1,000,000.

"Also that there shall be not less than five nor more than fifteen trustees or directors of said company and the number of trustees who shall manage the concerns of the company for the first year is five.

"The company in November, 1914, authorized the sale of its stock at the price of \$20 per share. Each share \$10 was to become part of the permanent capital stock; \$5 was to become part of the permanent surplus of the company, and \$5 per share was to be paid for organization expenses of every kind and description.

"The stock subscription agreement set out fully this plan, and was not open to other criticism than the use of one-fourth of the entire subscription for promotion expenses, and the practice of taking all this in cash out of the first payment, even when this was the full amount collected.

"Under this the company operated from early in November, 1914, until practically May 1, 1915, and secured approximately 118 subscriptions on this subscription agreement. The total number of shares of stock subscribed for was 6,525.

"Between November 7, 1914, and April 23, 1915, the minutes show numerous changes in the personnel of the board of officers, but no change in the other business than sell stock seems to have been made.

"On Friday, April 23, 1915, a meeting was held, the minutes of which cover twenty-six pages. An examination of these pages show resolutions, contracts, and agreements which are little less than astounding.

"The original contract for selling stock, with C. W. Walker, was canceled and a new contract made with E. W. Power, in which the company agrees to sell him or his nominees or assigns all the unsold stock, par value, at \$12 per share, exceeding \$1,000,000, par value, at \$12 per share.

"The company to receive and accept individual shares of stock in such numbers and to such amounts as may be tendered to it by the party, his nominees, or assigns, from time to time accompanied by a deposit of \$2 per share.

"It was further agreed, that 'should any condition or contingency arise whereby the directors of the company should deem it advisable or desirable to abrogate the same, there shall be paid to the said party, of the second part, his nominees or assigns, the sum of \$3,000 liquidated damages.

"This seems to be very one-sided, as there is no penalty other than the termination of the contract, so far as the party taking the option is concerned. This is, in my judgment, not a contract of sale which it pretends to be, but is a reality an option."

"This contract was assigned to The National Capital Life Agency, Incorporated. This agency has chosen a name so similar to the National Capital Life Insurance Company as to readily lead the uninformed person solicited to assume their close relationship, if not their identity. The agency, however, is incorporated under the laws of Delaware, with a total authorized capital stock of \$3,000,000 and \$1,000,000 out of amount of capital stock with which it will commence business."

"It next resolved to create a board of governors, limited to two hundred members, in the United States, and appointed by the National Capital Life Insurance Company of Washington, D. C.

"The board of governors shall represent the stockholders and control the policy of the company."

"There shall be set aside and held in trust for an endowment fund, to be known as the endowment fund, of \$100,000, to be paid in 10 per cent of all first year cash premiums and in addition thereto 2 1/2 per cent of all second and subsequent years' premiums on the entire business of the company. Attached to this special contract were forty coupons, the first maturing January 1, 1917; the fortieth maturing January 1, 1956, guaranteeing to the holder his share of said fund on the 1st of January of each year. The manifest illegality of appointing me to represent the stockholders and control the policy of the company is apparent. There seems to be no provision that the persons so named and holding these coupons shall remain a stockholder to share the profits thus provided for. The application for membership to the board of governors is set out in the minutes in connection with the subscription agreement. I am informed not many of these applications for membership have been made and accepted by the company.

"There is a bank deposit agreement set out, which provides, among other things, 'second, that the insurance company, subject to the approval of the Board of Directors, agrees, that, 70 per cent of the full legal reserve on all business produced by the company in which its depository bank is located, shall be invested by the bank in county bonds, mortgages, and other securities that meet the requirement of the insurance laws of the District and the approval of the insurance commissioner. Said investments to net the insurance company a per cent and the company agrees to pay the bank all interest which may accrue over and above the sum of 5 per cent net on said investments as its compensation for selecting and recommending said investments."

"There seems to be no agreement on the part of the bank to guarantee such

INSURANCE CO. PROMOTER



CROOM W. WALKER,

Originator of Million-Dollar Washington Corporation Now Under Investigation.

investments and just why the bank, through which a loan of medical doctors money is made, should receive part of the interest paid on such loan each year, is not plain to me and I doubt if it would be to the stockholders whose money was thus put out.

"There appears a quite astonishing resolution or agreement in which it is proposed that the National Capital Life Insurance Company shall agree to sell certain shares subscribed to by parties throughout the country, at a price of \$20 per share on or before May 1, 1916; these shares being, under this agreement purchased at \$16 per share from the agency. This profit of \$4 per share, it is stipulated, shall be reinvested in the capital stock of the company at \$20 per share.

"The company then makes an agency agreement with the National Capital Life Agency, providing that the agency shall have charge of the underwriting of the company, handle all its agency and policy department, and receive 50 per cent of the first year's premiums on ordinary life and limited payments, exceeding twenty payments, and twenty-payment term, life and endowment policies; 80 per cent of the first year's premiums collected and paid to the first party for the life of all policies; and a commission of 10 per cent of all second and subsequent years' premiums collected and paid to the first party for the life of all policies.

"There follow resolutions providing for a board of legal advisers, not exceeding two hundred, who are presumably to share in the profits, something after the manner of the board of governors, and another resolution providing for and authorizes the selection, from

the stockholders in the medical profession, of a board of medical directors not exceeding two hundred."

"An examination fails to show that either the president or the treasurer or the secretary, present at this meeting, had subscribed to any stock in this company. If they had even one or two shares they had paid no money for them.

"The contracts above referred to provide for such a tremendous expense covering the first year of the company's business that the inability of the company to succeed under such a handicap is hardly open to doubt.

"Parties solicited to buy stock told me of representations made to them to induce them to purchase stock which are of questionable legality and which certainly cannot be carried out by the National Capital Life Insurance Company as a going concern operating under the supervision of this department, and I doubt if any company could get a license in any State with these contracts outstanding."

"I may add that since April 23 the stock sales have been made on a different subscription blank than that used before and I submit a copy of this latter subscription blank in which the name of the National Capital Life Agency, Incorporated, appears along with the name of the National Capital Life Insurance Company. The total sales made under this second form of subscription up to June 24, 1915, appeared to be 1,721. The price of subscriptions seems to be \$20, although the company is only to receive \$12 per share and not \$15 as under the first subscription."

Immediately Mr. Nesbit's report was

finished a few questions were asked him and then a call was made for Charles A. Stillings, former superintendent of Government printing and at present the president of the company. He detailed to the stockholders the history of his connection with the company, concluding his remarks with the statement that there were always in every business organization men who did not have the nerve to go through with a proposition if a little rough sailing was encountered and that he supposed that the present middled condition of the affairs of the company made a lot of weak-kneed stockholders want to get out. If there was any way of letting them out he was in favor of these going but there wasn't any money that he knew of that was available to make them whole on what they had put into it.

Put Up Own Money.

Following Mr. Stillings' address there was a demand for Croom W. Walker, the originator and promoter of the company who was at the meeting accompanied by his attorney, Mr. Walker, in response to some questioning, explained that all the money which had not been turned into the treasury of the insurance company had been spent by the agency company in marketing stock and that a much larger sum, which he estimated at more than \$17,000, he said he had supplied from his own funds in the financing of the company. He had been led along by questions of stockholders and attorneys to make the statement that he supposed that the agents of the company in selling stock had represented their goods in as attractive a way as possible and perhaps made promises which were not authorized, when he was ordered by his counsel not to answer any further questions and took his seat in the audience.

It was then proposed that the report of Mr. Nesbit be referred to a committee for action, and a somewhat bitter row arose over the naming of that committee. A number of stockholders wishing to have the membership determined by the chairman of the meeting, the others desiring that a membership selected by a group of stockholders supporting Mr. Walker and his friends should prevail. It was finally determined to allow the chairman to appoint the committee, and the committee will report in writing its recommendations regarding the future of the company.

The committee consisted of former United States Senator J. Frank Alden of Dover, Del.; W. N. Cooper, of Salisbury, Md.; H. L. Smith, of Warrenton, Ore.; and W. G. Gadsden and Clarence Weaver, of Washington.

A representative from the District Attorney's office was an attentive listener to the proceedings, and there were rumors of criminal proceedings when the meeting adjourned.

The organization of the National Capital Life Insurance Company was begun last November by Croom W. Walker, an insurance agent of considerable reputation in the South and West. Associated with him was his son-in-law, Mr. Ohlin, who was the first subscriber to the stock in the sum of \$5,000, although Mr. Ohlin did not have such a sum of money and that he (Mr. Walker) in reality paid for the stock in so far as it was paid for.

It was the latter part of April that the rumors of trouble developed and complaints began to come to the insurance commissioner of irregularities. These claims and reports have been under investigation, with the result of yesterday's public airing of the situation.

Several prominent men have at various times been connected with the company in an official capacity. Ex-Governor Merriam of Minnesota was for a while its president and C. W. Warden was its treasurer. The present officers are Charles A. Stillings, president; Dr. C. P. Grandhold, treasurer; D. L. Richmond, secretary.

The subsidiary company to which was turned over the selling of stock under the plan objected to by the commissioner included in its personnel one or two men who are well known to the insurance departments all over the country since their records and methods have been the matter of investigation in several States. It is understood that some of these men have already left town and that their present whereabouts are unknown to the Agency company officials.

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Sterling Silver Link Bracelets
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Mostly \$1 Garments
In the lot reduced to 69c are combinations, including envelope chemise, gowns, and skirts that were more than \$1.00. At 50c are plenty of \$1.00 combinations, gowns, skirts, and lace bodices. All regular stock—guaranteed in every respect.

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Look for them—near the elevators.

7 1/2c **Pillow Cases** **9c**
Were 10c **2,500 of Them—on Second Floor** Were 12 1/2c
31c **1,250 Sheets** **59c**
Were 49c Were 75c

The Pillow Cases are 42x36 and 45x36 inches, with wide hems. The Sheets at 31c instead of 49c are 72x90 inches, hemmed and ironed, ready to use. At 59c instead of 75c are 81x90-inch sheets. Second Floor—rear of elevators.



Silk Dresses
Values to \$20.00 .. \$8.98

Fifty-one similar dresses—not quite as good—were sold last Friday. Why this new lot—61 of them—are better is because the maker refused to include them last week. He relents this week—on sale tomorrow morning.

Materials—Silk Crepe, Taffeta, and Foulard Silks.

Styles—Three of them are pictured—nearly every one of the 61 dresses are different and each is a work of art from the dressmaker's point of view, worth more than \$8.98 for making alone.

Colors—White, navy, green, gray, tan and white; plain polka dots, etc.

On sale tomorrow morning—foot of stairway to Basement Store.



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